



Berkshire

FINE SPINNING ASSOCIATES, INC.

Annual Report 1947

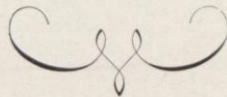


*Berkshire
Hills*

Annual Report

For the Fiscal Year

1947



Directors

JONATHAN CHACE
*MALCOLM G. CHACE
MALCOLM G. CHACE, JR.
LINSLEY V. DODGE
MANLIO FROVA
ARTHUR INGRAHAM, JR.
W. R. L. MCBEE
*JOHN H. MCMAHON
HENRY S. NEWCOMBE

WILLIAM A. O'HEARN
WILLIAM C. PLUNKETT
*GIBBS W. SHERRILL
F. RUSSELL SMITH
THOMAS F. TANSEY
GEORGE E. WESTBERG
AVERY K. WHITE
FREDERICK C. WILLIAMS
A. N. WINSLOW, JR.

*Executive Committee

Officers

President	JOHN H. MCMAHON
Treasurer and Vice President	MALCOLM G. CHACE, JR.
Vice President	LINSLEY V. DODGE
Vice President	THOMAS J. KENNEDY
Vice President	THOMAS F. TANSEY
Vice President	GEORGE E. WESTBERG
Vice President	AVERY K. WHITE
Assistant Treasurer	EDWARD H. ARNOLD
Assistant Treasurer	HENRY S. NEWCOMBE
Clerk	GIBBS W. SHERRILL



President's Letter • BERKSHIRE FINE SPINNING ASSOCIATES, INC.

Annual Report

AS OF SEPTEMBER 30, 1947

TO THE STOCKHOLDERS OF
BERKSHIRE FINE SPINNING ASSOCIATES, INC.

There is presented herewith the annual report for the fiscal year ended September 30, 1947. The return to a peacetime basis has been accomplished during the period. Demand for our goods has been abnormal and irregular, but the market has been free of price and production controls, and we have changed over in an orderly manner from making the special cloths of Wartime to the cloths that are in regular demand and which our plants are better able to produce.

SALES AND PROFITS This has been the largest year from the point of view of Dollar Volume and Earnings in the history of the Company. Sales amounted to \$68,444,883.46 and the Earnings after Provision for Taxes on Income of \$9,368,000.00 and Contingencies Reserve of \$1,400,000.00 were \$12,842,173.08. These Earnings amounted to \$7.94 per Share on the Common Stock outstanding at September 30, 1947, after Provision for Preferred Dividends. The increase in the volume of our business and in Net Profit has been due mainly to selling our output of cloth dyed, bleached or printed instead of in the grey state, to an increase in our production of approximately 25%, and to the elimination of the Excess Profits Tax. Selling the cloth finished allows the Company not only to make the manufacturing profit but also the conversion profit.

DIVIDENDS During the year dividends of \$1,984,244.00 were paid. Of this amount \$279,105.00 were paid to Preferred Stockholders and \$1,705,139.00 to Common Stockholders.

FINANCIAL POSITION Financially the Company has strengthened its position. During the year, the Net Worth has increased from \$20,186,544.23 to \$32,444,473.31 or \$12,257,929.08, and the Working Capital is now \$22,763,942.13, against \$14,959,317.26 at the beginning of the year, an increase of \$7,804,624.87. A Reserve for Income Taxes of \$8,617,575.00 has been set aside, and this amount

added to the Reserve of prior years makes the total Provision \$9,249,113.16. Tax Notes have been purchased in excess of this amount. Preliminary audits of prior years by the Treasury Department indicate that the Reserve is sufficient to cover Taxes. With heavily expanded Inventories, we have felt it necessary to make further Provision of \$1,400,000.00 for the Reserve for Decline in Inventory Values and Other Contingencies, and the amount of this Reserve is now \$2,400,000.00. Inventories which amounted to \$8,736,919.13 at the beginning of the year are \$9,780,898.88 at the close. The additional investment in Inventories is occasioned not only by increase in amounts and yardages, but by mounting prices per unit. It is believed the chance of loss in this Inventory beyond the amount of Reserve for Decline is not great, as the cotton in the Inventory is partially hedged, and the Inventory of finished cloth is largely sold. While our Cash balances are large at present, it is believed that competitive conditions will soon make it necessary to sell on longer terms, requiring larger investments in Accounts Receivable and Inventories.

**BUILDINGS, MACHINERY
AND EQUIPMENT**

During the War almost no new textile machinery could be bought, and even since the end of the War it has been difficult to obtain any reasonable deliveries at fixed prices. Therefore, a need has been accumulated for new machinery during this period, and we have the problem of what this new machinery will cost. Our technical staff, consulting with outside engineers, is constantly studying the problem, and its survey shows that it may be necessary to spend as much as \$8,000,000.00 to keep the plants completely competitive. It has been our policy to purchase machinery where deliveries could be made within two years. During the year, Capital Expenditures of \$719,395.31 have been made. Although it has not been possible to buy all the machinery desired, it has been feasible to make many of the repairs which, of necessity, had been postponed during the War period. A cotton classing department is maintained to insure that all cotton received meets our rigid specifications. Our laboratories have been expanded and improved, so that they can check the various materials and processes in order to increase production and to insure a high standard of quality in our products.

DEPRECIATION

Additions to the Reserve for Depreciation for the year amounted to \$512,632.48, but, with the decreased purchasing power of the dollar, Depreciation Charges no longer take care of necessary replacements, and greater amounts will have to be set aside from Earnings for this purpose.

CAPITAL STOCK

The Common Stock was split three for one at a Stockholders' Meeting held September 11, 1947. During the year, 17,904 shares of \$5.00 Dividend Cumulative Convertible Preferred Stock were converted into

Common Stock. At the present time, this Stock is convertible into nine shares of Common Stock.

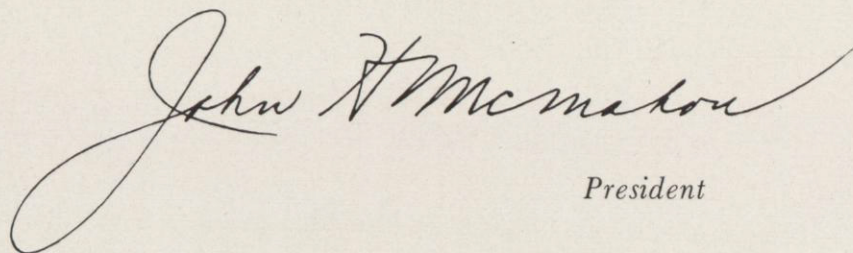
EMPLOYEE RELATIONS During the year the number of Berkshire employees increased by 700. Practically all of these employees work under Union Agreements and by far the larger portion are represented by the C.I.O. (TWUA). In the past year wages were increased twice. On January 6, 1947, there was an increase of 10 cents per hour and the minimum rate was increased to 83 cents per hour. On August 4, 1947, there was an increase of 5 cents per hour and the minimum was raised to 88 cents per hour, in addition to five paid holidays and improved vacation and insurance benefits.

SCHOLARSHIPS Your Company has embarked upon a program offering a number of free scholarships in textile engineering or in general cotton manufacturing in any of the four New England Textile Schools. By this means we place within reach of young men in our employ the chance to train for a career in textile manufacturing. The plan is two-fold in purpose; first, to attract suitable young men to the textile industry and secondly, to build the foundation of a better instructed and better trained supervisory plant force, and to prepare such a force for future advancement to key positions.

EXPANSION During the year your Company purchased several parcels of land on the Nolichucky River near Erwin, Tennessee, which seem ideally situated for the erection of a modern bleaching and finishing plant. Enough additional land has been secured to provide ample space for a weaving plant. Funds have been set aside in the amount of \$4,000,000.00 so that they will be available when the actual construction of new plants or the purchase of new machinery seems advisable. Most of these funds have been invested in high grade securities, largely Government Bonds.

We wish to thank our employees for their loyal cooperation and efficient service rendered during the year.

November 13, 1947


President

BERKSHIRE FINE SPINNING

Consolidated Statement of Financial Position

SEPTEMBER 30, 1999

ASSETS

CURRENT ASSETS

Cash	\$11,393,007.58	
Accounts Receivable (Less Reserve \$283,873.81)	3,898,708.51	
U. S. Treasury Tax Notes	664,596.84	
Inventories (Note A)		
Raw Materials	\$2,472,143.58	
Stock in Process	1,784,731.22	
Cloth	5,370,694.36	
Waste	153,329.72	9,780,898.88
TOTAL CURRENT ASSETS		\$25,737,211.81

OTHER ASSETS AND DEFERRED CHARGES

Investments in and Advances to Correlated and Subsidiary Companies Not Consolidated (Note B)	319,078.36	
Plant Construction and Improvement Fund (Note C):		
Cash	817,304.25	
Bonds—U. S. Government (Est. Mkt. Value \$2,890,653.10)	2,892,393.75	
Other (Est. Mkt. Value \$287,137.50)	290,302.00	4,000,000.00
Notes and Other Amounts Receivable	8,015.65	
Prepaid Insurance, Taxes and Other Assets	272,151.18	
Supplies Inventory, including Fuel	154,908.29	
TOTAL OTHER ASSETS AND DEFERRED CHARGES		4,754,153.48

PLANT ASSETS (Note D)

Properties Comprising Land, Building, Machinery, Equipment and Developed Water Power	10,980,537.99	
Less: Depreciation Reserves	6,054,160.29	4,926,377.70
TOTAL ASSETS		\$35,417,742.99

The accompanying Notes to Financial Statements are an integral part of these financial statements.

NING ASSOCIATES, INC.

Balance Sheet

PER 30, 1947

LIABILITIES AND CAPITAL

CURRENT LIABILITIES

Accounts and Vouchers Payable	\$ 1,721,791.00	
Taxes Accrued or Payable	904,958.93	
Social Security and Withholding Taxes Payable	346,519.75	
Provision for Federal Taxes on Income (Note E). \$9,249,113.16		
Less: U. S. Treasury Tax Notes	9,249,113.16	None
TOTAL CURRENT LIABILITIES		\$ 2,973,269.68

RESERVE FOR DECLINE IN INVENTORY VALUES AND OTHER CONTINGENCIES (Note F)

2,400,000.00

CAPITAL

\$5.00 Dividend Cumulative Convertible Preferred Stock (Without Par Value) Authorized 111,963 Shares—Issued 41,766 Shares (Note G)	4,072,185.00	
Common Stock (Without Par Value) Authorized 3,000,000 Shares—Issued 1,583,094 Shares (Note H)	6,864,850.00	
Capital Surplus	468,921.49	
Earned Surplus (Since September 30, 1939)	18,638,516.82	
TOTAL CAPITAL		30,044,473.31
TOTAL LIABILITIES AND CAPITAL		<u>\$35,417,742.99</u>

ements are an integral part of this report.



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 1947

BASIS OF CONSOLIDATION—The Consolidated Financial Statements include the accounts of all Subsidiary Companies except Warren Textile & Machinery Supply Co. which is wholly owned, but carried in the Balance Sheet as an Investment.

NOTE (A)—INVENTORIES

Raw Materials are priced at the "lower of Cost or Market", the material content of Stock in Process at a standard established in 1933, which is less than current market, and Cost is the basis for materials in cloth. The standard cost basis is used in valuing Labor and Manufacturing Burden in Stock in Process, as well as Cloth. Waste is valued at Market. The verification of the Raw Materials, Stock in Process, and Cloth included a review of the Inventory records and procedure, physical examination of quantities during the fiscal year at all Mills, and confirmation by direct correspondence of merchandise quantities in the possession of others. In pricing the Inventories, consideration has been given to obsolete, slow-moving and irregular merchandise.

NOTE (B)—INVESTMENTS

The excess of the Company's equity in the Net Assets of Warren Textile & Machinery Supply Co. over its investment therein at September 30, 1947 amounted to \$63,917.24 and represents the undistributed Net Earnings of the Subsidiary since the date of incorporation. A Balance Sheet of this Subsidiary is included in this report.

NOTE (C)—PLANT CONSTRUCTION AND IMPROVEMENT FUND

By appropriate corporate action, there has been set aside \$4,000,000.00 for a Plant Construction and Improvement Fund. This Fund is available for construction of a Finishing Plant upon a site already acquired in Tennessee, as well as other Plant Acquisitions and Improvements.

NOTE (D)—PLANT ASSETS

Plant Assets are stated in the Balance Sheet at Depreciated Book Values at April 1, 1934, plus additions subsequent to that date at Cost. Depreciation from the previously mentioned date has been charged to Operations on the basis of the useful lives of the various items of depreciable Plant Assets.

NOTE (E)—PROVISION FOR FEDERAL TAXES ON INCOME

The Company's Tax Returns have recently been inspected by the Audit Division of the Income Tax Unit for the four fiscal years ending in 1945. Tentative agreement has been reached with the Examining Officers, but final determination of these years awaits the approval of the Treasury Department. The two years ending September 30, 1947 have not been examined or reviewed, but it is our opinion that the outstanding Reserve for Taxes on Income, at September 30, 1947, adequately provides for tax liabilities to that date.

NOTE (F)—RESERVE FOR DECLINE IN INVENTORY VALUES AND OTHER CONTINGENCIES

At the beginning of the fiscal period, there was outstanding a Reserve for Contingencies and Post-War Adjustments amounting to \$1,000,000.00. By action of the Directors, this Reserve has now been designated as "Reserve for Decline in Inventory Values and Other Contingencies", and, in addition to the amount outstanding at the beginning of the fiscal period, an increase of \$1,400,000.00 has been charged against the year's Income, resulting in a balance at the close of the period of \$2,400,000.00.

NOTE (G)—PREFERRED STOCK

During the year there were presented for conversion 17,904 Shares \$5.00 Dividend Cumulative Convertible Preferred Stock, the stated value of which was transferred to Common. The amount presently outstanding is callable at \$105.00 per Share, and each Share is convertible into 9 Shares of the new No Par Value Common Stock.

NOTE (H)—COMMON STOCK

At a Special Stockholders' Meeting held September 11, 1947, the total authorized Common Capital Stock was increased to 3,000,000 Shares without Par Value, and it was voted that, for each Share of No Par Value Common then outstanding, two additional Common Shares be issued without capitalizing Surplus or otherwise enlarging the Capital of the Corporation.

PURCHASE COMMITMENTS

The Company has outstanding Cotton Commitments amounting to \$3,725,000.00, which approximates current market.



BERKSHIRE FINE SPINNING ASSOCIATES, INC.

Condensed Consolidated Statement of Income and Earned Surplus

FOR THE YEAR ENDED SEPTEMBER 30, 1947

SALES (Less Returns and Allowances)	\$68,444,883.46
Cost of Sales and Operating Expenses (Includes Depreciation \$511,101.67)	43,670,602.52
GROSS PROFIT	24,774,280.94
Selling and Administrative Expenses	1,269,088.93
PROFIT FROM OPERATIONS	23,505,192.01
Other Income	135,231.10
TOTAL	23,640,423.11
Other Deductions	30,250.03
PROFIT BEFORE INCOME TAXES AND PROVISION FOR DECLINE IN INVENTORY VALUES AND OTHER CONTINGENCIES	23,610,173.08
Provision for Taxes on Income	9,368,000.00
PROFIT BEFORE PROVISION FOR DECLINE IN INVENTORY VALUES AND OTHER CONTINGENCIES	14,242,173.08
Provision for Decline in Inventory Values and Other Contingencies	1,400,000.00
BALANCE OF PROFIT TRANSFERRED TO EARNED SURPLUS	12,842,173.08
Earned Surplus at Beginning of Year	7,780,587.74
TOTAL	20,622,760.82
Less: Dividends Paid	
\$5.00 Dividend Preferred Stock @ \$5.00 per Share	\$ 279,105.00
Common Stock @ \$3.50 per Share (Prior to New Issue)	1,705,139.00
EARNED SURPLUS (Since September 30, 1939) AT CLOSE OF YEAR	\$18,638,516.82

Consolidated Capital Surplus Account

SEPTEMBER 30, 1947

CAPITAL SURPLUS BALANCE AT SEPTEMBER 30, 1947 (No Change During Year)	\$ 468,921.49
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CERTIFICATE OF AUDITORS

We have examined the Consolidated Balance Sheet of Berkshire Fine Spinning Associates, Inc. and its subsidiaries at September 30, 1947 and the Consolidated Statements of Income and Surplus for the year then ended, have reviewed the system of internal control and the accounting procedures and, without making a detailed audit of the transactions, have examined or tested accounting records and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances, and included all procedures which we considered necessary.

In our opinion, the accompanying Consolidated Balance Sheet and related Statements of Income and Surplus, with the notations thereto, present fairly the Company's consolidated financial position at September 30, 1947 and the consolidated results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

COMERY, DAVISON & JACOBSON
Certified Public Accountants

Providence, R. I., October 22, 1947.

WARREN TEXTILE & MACHINERY SUPPLY CO.

Balance Sheet

SEPTEMBER 30, 1947

ASSETS

CURRENT ASSETS

Cash	\$ 5,575.82
Accounts Receivable	2,344.44
Inventories (Lower of Cost or Market)	214,746.04
*Claim for Refund—Prior Years' Taxes	23,608.88

TOTAL CURRENT ASSETS	\$246,275.18
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DEFERRED CHARGES

Prepaid Insurance and Taxes	11,053.16
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PLANT ASSETS

Properties Comprising Land, Buildings, Machinery and Equipment (At Cost)	263,384.41
Less: Depreciation Reserves	77,250.95
	186,133.46

TOTAL ASSETS	\$443,461.80
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LIABILITIES AND CAPITAL

CURRENT LIABILITIES

Accounts and Vouchers Payable	57,001.07
Taxes Accrued or Payable	7,305.82
Social Security and Withholding Taxes Payable	5,296.86
Provision for Federal Taxes on Income	650.00

TOTAL CURRENT LIABILITIES	70,253.75
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DUE BERKSHIRE FINE SPINNING ASSOCIATES, INC.	279,290.81
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CAPITAL

Common Stock (300 Shares—No Par Value)	30,000.00
Earned Surplus—September 30, 1946	61,538.07
Operating Profit for Year	2,379.17

Earned Surplus—September 30, 1947	63,917.24
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TOTAL CAPITAL	93,917.24
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TOTAL LIABILITIES AND CAPITAL	\$443,461.80
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*Federal Tax Returns have been examined through September 30, 1946. Claim tentatively approved.

CERTIFICATE OF AUDITORS

We have examined the Balance Sheet of Warren Textile & Machinery Supply Co. at September 30, 1947 and the Statements of Income and Surplus for the year then ended, have reviewed the system of internal control and the accounting procedures, and, without making a detailed audit of the transactions, have examined or tested accounting records and other supporting evidence by methods and to the extent which we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and it included all the procedures which we considered necessary.

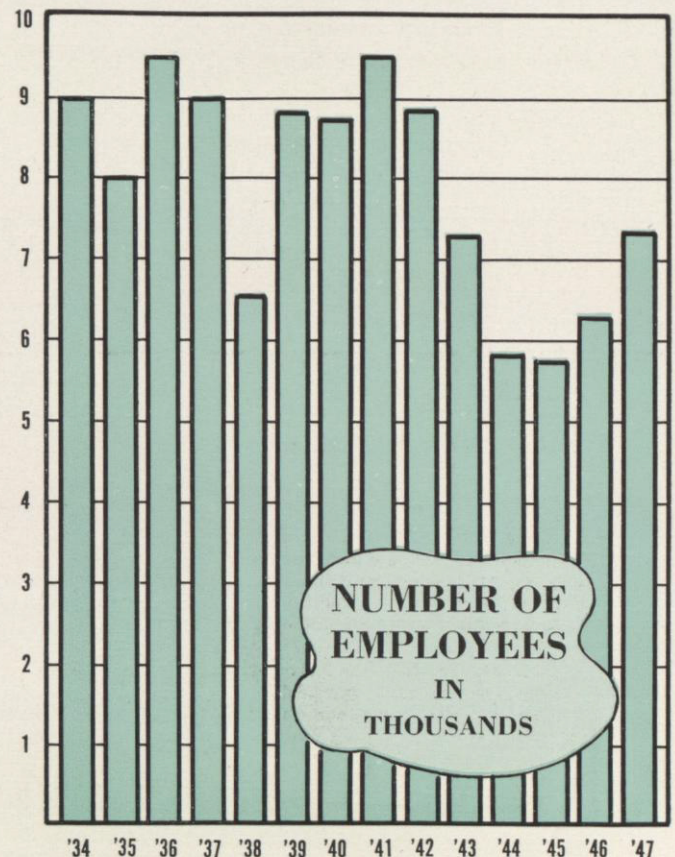
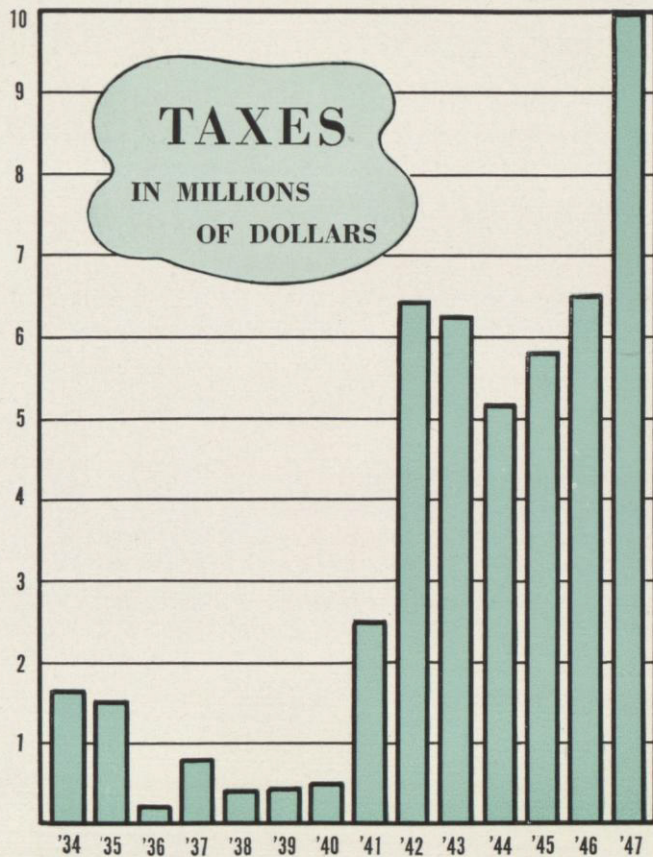
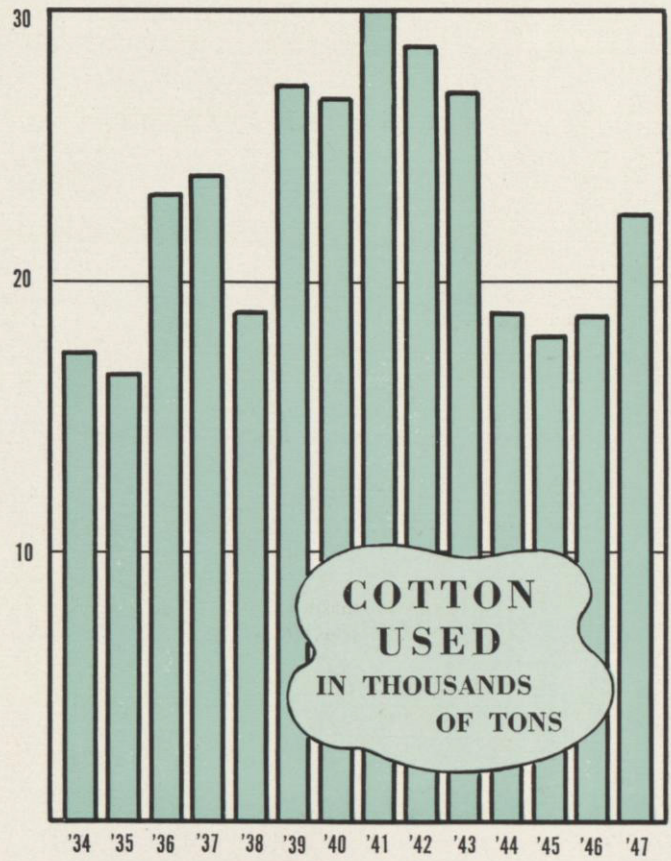
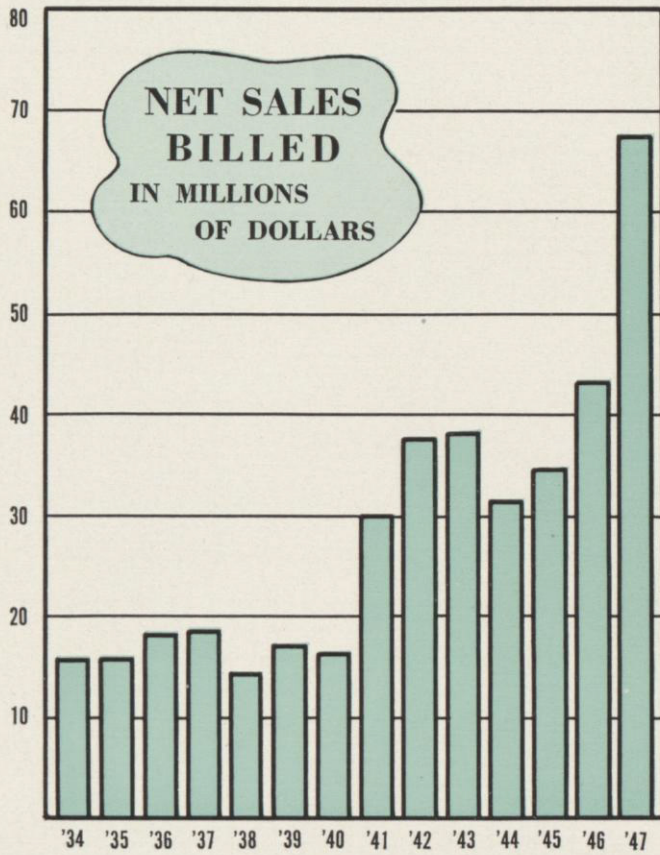
In our opinion, the accompanying Balance Sheet and related Statements of Income and Surplus, with the notation thereon, present fairly the position of Warren Textile & Machinery Supply Co. at September 30, 1947 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles, applied on a basis consistent with that of the preceding year.

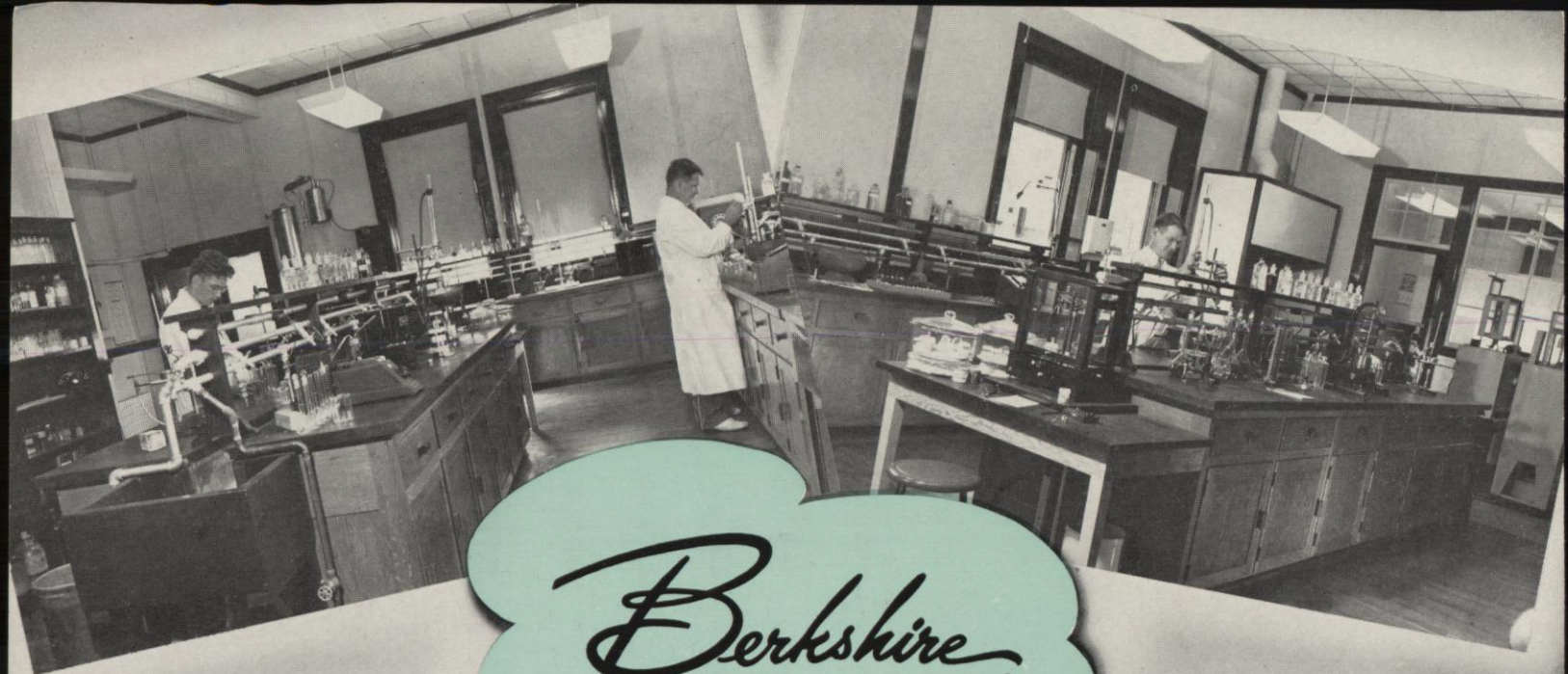
COMERY, DAVISON & JACOBSON
Certified Public Accountants

Providence, R. I., October 22, 1947.

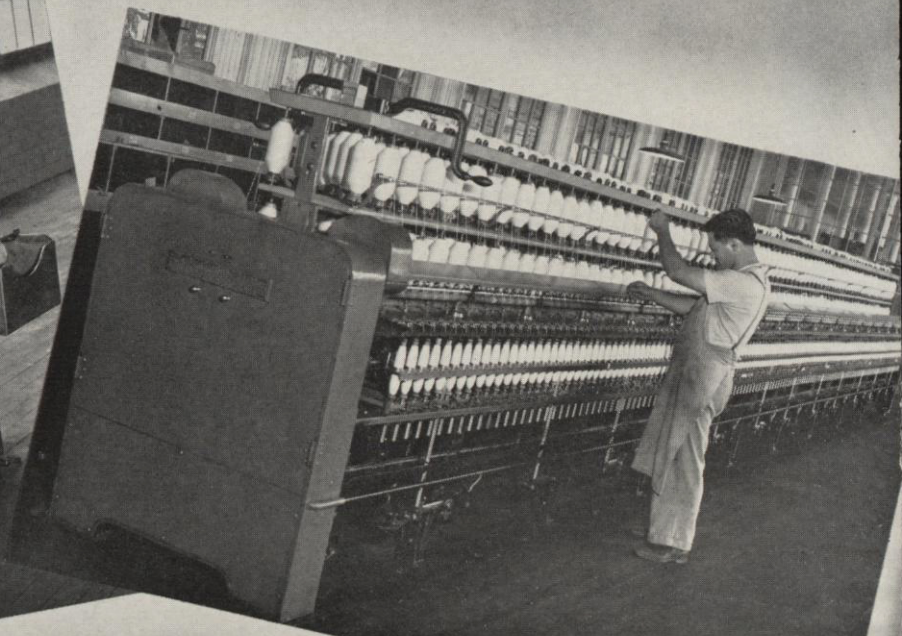
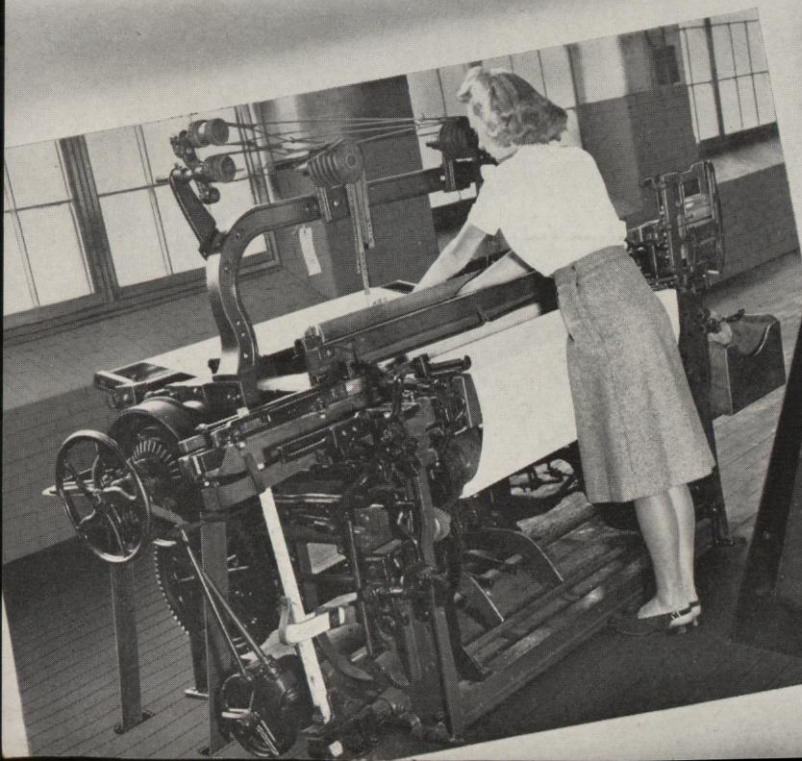
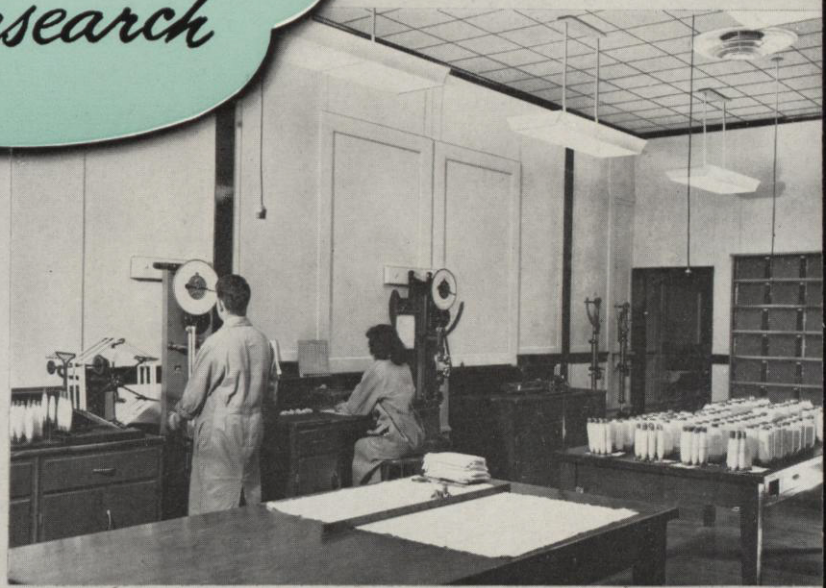


FINE SPINNING ASSOCIATES INC.





Berkshire Research



EXECUTIVE OFFICES

TURKS HEAD BUILDING, PROVIDENCE, R. I.

SALES OFFICES

40 WORTH STREET, NEW YORK, N. Y.

261 FIFTH AVENUE, NEW YORK, N. Y.

PLANT LOCATIONS

ADAMS	MASSACHUSETTS
NORTH ADAMS	MASSACHUSETTS
HOLYOKE	MASSACHUSETTS
FALL RIVER	MASSACHUSETTS
ALBION	RHODE ISLAND
ANTHONY	RHODE ISLAND
WARREN	RHODE ISLAND
BRATTLEBORO	VERMONT

CURTAIN FACTORIES

AT

WARREN, R. I., AND FALL RIVER, MASS.

LABORATORIES AND MACHINE SHOPS

AT

WARREN, RHODE ISLAND

